



# **CITY OF SANTA BARBARA**

## **FINANCE COMMITTEE AGENDA REPORT**

**AGENDA DATE:** January 13, 2009

**TO:** Finance Committee

**FROM:** City Administrator's Office

**SUBJECT:** Infrastructure Financing Taskforce Recommendations – Review  
Timeline

### **RECOMMENDATION:**

That the Finance Committee review and discuss the proposed timeline for presentation and discussion of Infrastructure Financing Taskforce recommendations.

### **DISCUSSION:**

#### Background

On October 21, 2008, the Infrastructure Financing Taskforce (Taskforce) presented Council the recommendations from their report "Keeping Santa Barbara in Shape" (Report). Council directed that the Report be forwarded to the Finance Committee for review and recommendations.

On November 11, 2008, staff presented the Finance Committee with a summary of the Taskforce recommendations and we are now returning with a suggested process and timeline for addressing each recommendation.

As shown in the attachment, staff has grouped the Taskforce's recommendations into five categories. The first category includes items that are either already being implemented or are future policy options that require no current Council action. Staff does not believe that these items will require further consideration at this time.

The second and third categories include recommendations for changes to the City's policies and practices regarding reserves, financial and budget policies and capital funding. In many ways, these recommendations constitute the core of the Taskforce's conclusions. Staff expects that reviewing these recommendations will require as many as five meetings.

The fourth category contains the Taskforce's recommendations for changes in Waterfront slip fees and other user fees as well as recommendations for the transfer of budget and operational responsibility to the Waterfront Department of functions currently funded and managed through the Parks and Recreation Department. Staff believes this discussion could take two to three meetings, or more.

Lastly, the Taskforce recommended creating a formal public education process to ensure that citizens understand both the importance of maintaining our infrastructure and how the City is doing in this area. After completing discussion of the other items, Staff will present the Finance Committee with ideas for implementing this recommendation.

If the Finance Committee members would prefer, rather than add these items to regular Committee meetings, staff could schedule one or more special meetings dedicated to considering the Taskforce recommendations. Staff will ask for Committee member feedback on this option at the meeting.

**ATTACHMENT:** Proposed Infrastructure Finance Taskforce Recommendations Timeline

**PREPARED BY:** Lori Pedersen, Administrative Analyst

**SUBMITTED BY:** James L. Armstrong, City Administrator

**APPROVED BY:** City Administrator's Office

## Summary of Infrastructure Financing Taskforce Recommendations

	Summary	Taskforce Recommendation
Items in process or future policy options	<b>Change CIP Document</b>	(M6.) <b>Upgrade the City's capital infrastructure budgeting process</b> by developing a budget report similar to the University of California Santa Barbara reporting system for State Capital Improvements.
	<b>Partnerships</b>	(F7.) Expand the use of <b>public-private charitable partnerships</b> , in support of key civic activities. (F. 8.) Explore the potential of securing greater cooperation between the public and private sector in the form of <b>public-private partnerships</b> or "performance-based infrastructure" (PBI) investments.
	<b>Financing Options</b>	(F10.) Use the <b>General Fund to provide contingency backing for debt</b> for various Enterprise Funds so long as it does not compromise the City's ability to borrow for General Funds' own infrastructure needs.
	<b>Change Sales Tax</b>	(F6.) <b>Assess the potential for adding a 0.5% local sales tax</b> as a new funding source for critical infrastructure projects.
	<b>Additional Financing Strategy</b>	(F11.) <b>Explore options for collateralizing</b> and bonding future revenue streams (such as the City's share of the State gasoline tax) as a means for providing funds for infrastructure improvements if other sources of revenue dry up.
	<b>Additional Financing Strategy</b>	(F12.) <b>Maintain the option of issuing new voter approved General Obligation Bonds</b> to pay for major infrastructure projects.
	<b>Resolve Community Issues</b>	(M7.) <b>Enforce existing panhandling ordinances</b> and develop a program (similar to other successful cities) to <b>overcome the City's growing gang problem</b> – both of which are a threat to the civility of Santa Barbara and its viability as a destination resort, which is key to maintaining the revenues that support infrastructure.

Dates	Summary	Taskforce Recommendation
Meet weekly 01/27/09- 02/24/09	Resolutions 95-156 and 95-157	(M4.) <b>Renew and update Resolutions</b> No. 95-156 and No. 95-157, which have provided guidance to the City's financial policies for more than a decade, to reflect current economic realities.
		(F3.) <b>Revise the Capital Reserve requirements</b> for Resolution No. 95-157 to <b>5% of the estimated</b> replacement value of capital assets instead of book value; and the goal of the General Fund Capital Reserve shall be set at \$5 million in addition to the 10% General Fund capital allocation. <b>(F4.) Change the City's fiscal policies to fund accrued depreciation and facility renewal costs at replacement rather than book value</b> for all municipal facilities
		(F2.) Revise Resolution No. 95-157 to commit the City to <b>implement and achieve an annual 10% "off-the-top"</b> General Fund capital allocation no later than FY 2012. Funds to be spent annually for infrastructure projects or could be used to support debt service based on increased revenue growth and operating efficiencies.
		(F1.) Revise Resolution No. 95-156 to commit the City to immediately <b>increase efficiency of all the resources under its control by 2-3% annually</b> , to free up additional funds for infrastructure needs. Review results at the end of the second year.
		(M5.) <b>Implement a Management Information Report</b> to enable the City Council to track and review progress on: reducing the deferred maintenance backlog, progress on securing financing for unfunded capital needs, and maintaining Capital Reserves, as well as monitoring progress on other recommendations in this report.

## Summary of Infrastructure Financing Taskforce Recommendations (cont.)

Dates	Summary	Taskforce Recommendation
<b>Meet Weekly 03/03/09- 03/17/09</b>	<b>Funding of Facilities Renewal</b>	(F5.) <b>Fully fund the annual facility renewal costs of approximately \$2.1 million</b> and conduct the work needed on a regular basis.
	<b>Prioritize Capital</b>	(M1.) Make the funding of a new <b>Police Station and adequate Fire and Emergency disaster facilities</b> the highest capital <b>infrastructure priorities</b> for the General Fund.
	<b>Reduce Operating Costs</b>	(M3.) <b>Reduce the City's operating costs</b> and free up funds for infrastructure financing by: <b>"sun-setting" underutilized and outdated programs</b> ; initiating a <b>"zero based" budgeting</b> process at least <b>once every four to five years</b> , closing, or leasing, or selling any of the 500,000 square feet of General Fund facilities that are not needed; and <b>disposing of any surplus property</b> that might have utility value and generate income if sold or leased.

Date	Summary	Taskforce Recommendation
<b>Meet Weekly 03/24/09-04/07/09</b>	<b>Revise Fees</b>	(F9.) <b>Establish fair market rates for all boating and slippage fees</b> in the harbor that are both equivalent to similar southern California cities and sufficient to cover the full (direct and indirect) costs of providing marina services.
	<b>Evaluate Organizational Change</b>	(M2.) Designate the Waterfront Department as responsible for the operation, maintenance and support of all recreation, boating, and harbor activities to the east of Cabrillo Boulevard – including the operation of the Cabrillo Bathhouse, East Beach and associated facilities – thereby freeing up the General Fund to pay for other infrastructure improvements in the Parks and Recreation Department.

Date	Summary	Taskforce Recommendation
<b>TBD</b>	<b>Educate Public</b>	(M8.) Develop an ongoing program that will <b>educate the public on the fundamental importance of a well-maintained and adequately funded infrastructure</b> – and ensure support for these policies.

Date	Summary	Taskforce Recommendation
<b>May 5, 2008</b>	<b>Implementation Plan</b>	(M9.) Develop a detailed <b>implementation plan for these recommendations by January 20, 2009</b> , and report back to the Council twice a year.



In Process/Future Options



Resolutions 95-156 and 157



Budget



Fees/ Organization



Community/Education



Goal